State of Tennessee LWDA Assessment

Sprint 2 – East Tennessee

February 18, 2019-March 1, 2019

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Executive summary

Summary of observations

Outlined below are the key and consistent themes arising from our interviews with stakeholders and review of documentation:

- There is an opportunity to engage the CLEO and the Board members in strategy formulation and implementation to increase leadership alignment and transparency.

- Opportunities exist to enhance understanding of the Board and the Regional Director roles to clarify responsibilities and accountability.

- With respect to performance management, the focus of the ETLWDB is primarily on financial or regulatory metrics with limited linkage to strategic plan and current initiatives.

- The ETLWDB is a newly formed board and is in the early stages of developing and customizing key policies and procedures.

- ETLWDB has demonstrated leading practices in competitively procuring their OSO (One Stop Operator) or CSP (Career Service Provider), but procurement methodologies, policies and procedures have not been formally defined.

- There is some level of monitoring and quality control activities being performed by the ETLWDB, but a formalized monitoring policy does not exist and there is a sense of confusion around the requirements and expectations for monitoring.

- There are opportunities to optimize communication channels with TDLWD and among ETLWDA stakeholders to increase collaboration and strengthen relationships.

- Similar to other LWDAs, the ETLWDA faces technology limitations that lead to process inefficiencies.

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Assessment approach
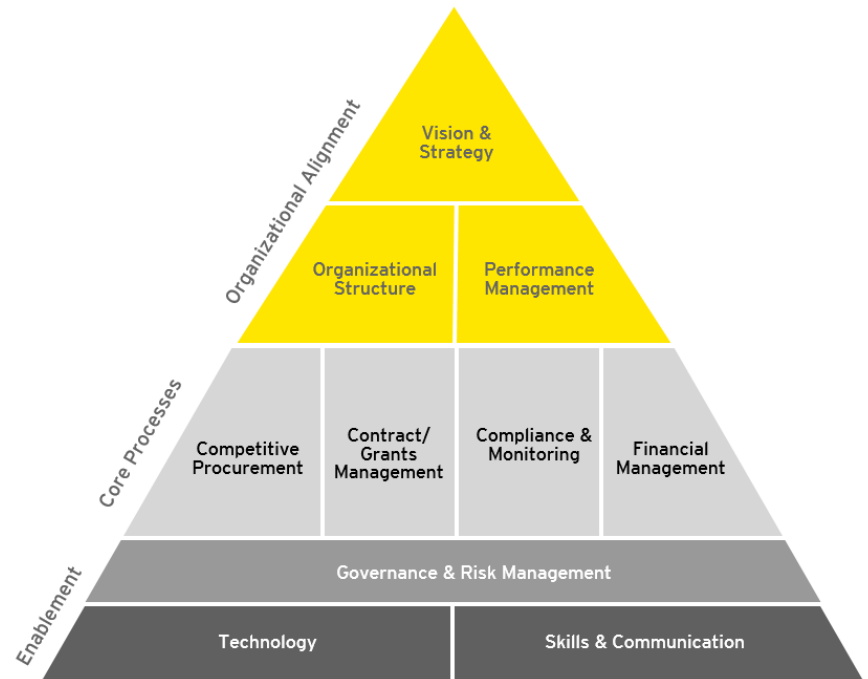
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Our framework

EY assessed the organizational fitness and operational controls of the ETLWDA by using a holistic framework that focused on strategic elements of an organization.

Assessment methodology

1

Gather and review information

▸ Collect documentation and review to gain preliminary understanding of the LWDA as a whole and the organization's operating model

2

Conduct interviews focusing on the strategic elements of an organization

▸ Validate key roles and responsibilities
▸ Review internal control activities
▸ Develop RACI charts to define roles and responsibilities
▸ Review technology landscape, KPIs, organizational structure, skills and communication lines

3

Document findings and recommendations of improvement

▸ Consolidate interview information
▸ Summarize observations
▸ Identify leading practices
▸ Develop and document improvement recommendations

Strategic elements of an organization

Organizational Alignment

Vision & Strategy

Organizational Structure

Performance Management

Core Processes

Competitive Procurement

Contract/ Grants Management

Compliance & Monitoring

Financial Management

Governance & Risk Management

Enablement

Technology

Skills & Communication

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Organizational alignment
Vision and strategy

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ETLWDA strategy

Focus area	Key observation
Strategic vision	The ETLWDA Strategic Plan has defined strategic priorities, objectives and implementation strategies. It includes the WIOA (Workforce Innovation and Opportunity Act) negotiated performance targets as its key performance targets to measure success and outlines key responsibilities of the OSO (One Stop Operator) to enable functional strategic alignment of partners. Providing seamless services to both job seekers and employers is outlined continuously as a hallmark of ETLWDA operations in the area's Strategic Plan. The Executive Director demonstrated strong knowledge of the LWDA strategic vision and objectives. He was actively involved in developing and formalizing the strategic plan for the newly found region of 16 counties. He has worked with the Local Board (including many new members) to finalize a draft for 2019. The CLEO and Chair to the Local Board demonstrated limited exposure and awareness of strategic focus areas. The CLEO mentioned she has not had the opportunity to focus more on strategic areas because most of her time is dedicated to reviewing reports for fiscal accuracy. The Chair to the Local Board expressed that there is an opportunity to increase engagement of Local Board members in strategic development. At the moment, they rely on the Executive Director to drive strategic direction (see recommendation on the "Roles and responsibilities" slide).
Road map to achieve strategic outcomes	Although there is a Strategic Plan that includes key strategic areas and implementation strategies, it lacks a robust strategy road map to outline the transformation journey to achieve strategic outcomes. A road map will keep key stakeholders aligned, committed and engaged, especially Local Board members.
Strategy enabling technology	In the Strategic Plan, technology is primarily used to provide participants access to services. There is an opportunity to establish a technology working group to formalize technology initiatives that further market the AJC (American Job Center) services to the public.

Recommendations

▸ Hold a strategic design session with LWDA Leadership that focuses leaders on divergent thinking in order to come up with new, innovative and strategic solutions that aligns with the Strategic Plan objectives as well as to reiterate their role in driving LWDA strategic direction.

▸ Develop a road map to achieve strategic outcomes. This will serve as a guide to key stakeholders regarding the future vision for the ETLWDA. It should include detailed plans for future initiatives with key milestones and updated as needed with input from key stakeholders.

▸ Define technology initiatives, timeline and responsibilities for ETLWDA to confirm that they are focusing on the right priorities.

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Organizational alignment
Organizational structure

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Roles and responsibilities

Opportunities exist to enhance the understanding of the LWDA Board and the Regional Director roles to clarify responsibilities and accountability.

Focus area	Key observation
Roles and responsibilities	The LWDA Board Chair and CLEO noted that there is an opportunity to enhance the understanding of their roles by developing a reference guide that summarizes their roles and responsibilities in a clear and concise format. Especially for new Board Members, the reference guide would be a helpful tool for them to understand how to better drive the strategic direction of the LWDA.

The responsibilities and accountabilities of the Regional Director position were not clearly understood, specifically for the tasks that may be shared with the Executive Director/Staff to the Board. The Regional Director focused on Title 3 – Wagner-Peyser Act – program delivery, performance and budget oversight, personnel management, and public relation activities.

The Regional Director working independently of the Executive Director on areas where they have a shared accountability leads to general confusion on division of responsibilities and awareness of role. As this role serves as the liaison to the TDLWD, it is critical that the roles and responsibilities are documented and well understood by all key ETLWDA stakeholders. |

Recommendations

▸ Develop a reference guide to clearly define Board and CLEO responsibilities, reporting layers, management accountability and authority to support strategic decision-making.

▸ Develop a communication and education plan to help mitigate any open questions around the ETLWDA's Board and CLEO roles.

▸ Communicate the Regional Director's position description with more in-depth detail regarding level of authority, collaboration and communication with other key ETLWDA stakeholders.

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Organizational alignment
Performance management

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Performance management

With respect to performance management, the focus of the ETLWDB is primarily financial or regulatory metrics with limited linkage to strategic plan and current initiatives.

Focus area	Key observation
Ownership and accountability of the Board	As a result of the realignment, the ETLWDB was a newly created Board with entirely new Board members. During interviews, we identified a tendency to rely on the negotiated performance measures (monitored by the State Board) and minimal emphasis on how the ETLWDB is measuring the success of its workforce system locally. The Executive Director, CLEO and Board Chair expressed that there has been limited time available to dedicate toward performance management, due to their focus on the time sensitive responsibilities that came with forming a new Board.
OSO reporting	The OSO Manager appears to be effectively managing performance of the AJCs (American Job Centers), but there may be a disconnect in how this information is being translated to the LWDB. During interviews, it was noted that the Board has not set or communicated reporting expectations to the OSO. At quarterly board meetings, the OSO Manager produces a one-page dashboard report to the ETLWDB members. Per the ETLWDB/MCHRA contract, these reports should inform the ETLWDB of the trends concerning the operation of the One-Stop System and highlight the strengths and weaknesses of service delivery within the local workforce area. We reviewed a copy of a quarterly report provided to the Board by the OSO and noted that the metrics provided were not grounded with any support and do not include relevant context necessary to allow the reader to fully comprehend their meaning.

Recommendations

▸ Performance of the local workforce system should be measured by qualitative and quantitative metrics. We recommend that the ETLWDB and CLEO develop and implement a structured process and approach for defining these metrics, as part of their development of the strategic local plan. Metrics should be measurable, sustainable, clearly linked to the ETLWDA strategy, understood and communicated.

▸ We recommend that dashboards and reports be presented in a way that clearly links metrics to strategic goals (which should be defined and articulated by the LWDB and CLEO) and drives actions and decision-making.

▸ We recommend that reports include historical data to identify meaningful trends.

▸ We recommend incorporating data analytics where applicable.

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Governance and risk management
Internal controls

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Policies and procedures

The ETLWDB is a newly formed board and is in the early stages of developing and customizing key policies and procedures.

Observation	Leading practice
▸ Policies and SOPs (Standard Operating Procedures) have not been adopted by the LWDB for key processes such as the competitive procurement and the local monitoring processes. ▸ Without established policies and procedures to clearly set out expectations and document internal controls, there is an increased risk of inconsistent practices and a lack of accountability over the execution of key controls. This may lead to process breakdowns, inefficiencies or errors in transaction processing or reporting. ▸ The ETLWDB was largely impacted by realignment (having to form an entirely new Board with new Board members) and has not had the time or resources to develop and implement a set of adopted policies. In interviews with the Executive Director, he noted that his intent is to develop a full set of operational and procedural policies and procedures by August 31, 2019.	▸ The organization has thoroughly documented key business policies and procedures, assisting with standardization across the organization, and allowing management to identify potential risks and inefficiencies. Documented policies and procedures also serve to mitigate risks associated with business continuity and succession planning.

Recommendations

▸ We recommend leveraging leading practices from other LWDBs for developing and documenting key policies and procedures. This will make the process more effective and efficient which will help to meet the August 31, 2019, timeline while taking fewer resources away from other priorities.

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OSO and CSP Procurement

Procurement methodologies, policies and procedures have not been formally defined at the ETLWDB.

Observation	Leading practice

▸ ETLWDB displayed the following leading practices in competitively procuring their OSO and CSP:
  ▸ Contracting a third party (Anderson County Purchasing) to handle some procurement activities (such as distributing the RFP, collecting responses, removing references to an entity's name so that responses remained anonymous to voters, vetting the responses for minimum requirements, etc.).
  ▸ A voting committee was established by the Executive Director and was responsible for evaluating and scoring RFP responses individually.
▸ We also noted the following opportunities for improvement with respect to the ETLWDB's procurement practices:
  ▸ There is no documented process dictating how voting committee members are appointed.
  ▸ During interviews with the CLEO, she stated that she was required to sign off on the Board's decision to award the OSO and CSP contract, but indicated that she was unaware whether she had authority to disapprove of the selected provider.
	▸ The RFP Evaluation Committee is made up of individuals with various areas of knowledge (i.e., financial, procurement, career services). The RFP coordinator is responsible for forming a cross-functional team who is knowledgeable and impartial. Based on subject-matter knowledge or functional area, it may be appropriate for each evaluation committee member to be assigned only a specific section of the proposal to review and score.
	▸ Smaller organizations may choose to outsource the RFP process if they determine that their time will be more impactful spent elsewhere. Outsourcing the RFP process can reduce workload and operational costs.
	▸ RFP evaluation criteria is clearly defined and documented, increasing consistency in scoring across judges and setting clear expectations for scorers.
	▸ Scoring is blind (process by which evaluators rate the responses without specific knowledge of which entity is tied to which answer), reducing the risk of bias in the RFP process.
	▸ Distinct weightings are used. This method allows each criterion to be measured on the same scale. Each criterion also has a weight by which the score is multiplied to give it a total weighted score. This makes scoring easy and verifies that the most important criteria are given greater consideration.
	▸ Technology is incorporated into the RFP scoring process.

Recommendations

- ▸ We recommend that the ETLWDB document their local procurement processes in a formal policy or procedural document.
- ▸ We recommend that the LWDB develop and document leading practices for RFP evaluation committees. This should include:
  - ▸ Minimum requirements of expertise represented within the evaluation committee and process for appointing and selecting members (requirements of knowledge may vary, depending on the service being procured).
  - ▸ If required expertise is not available, consider outsourcing the RFP process.

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Formal monitoring program

There is some level of monitoring and quality control activities being performed by the ETLWDB, but a formalized monitoring policy does not exist and there is a sense of confusion around the requirements and expectations for monitoring.

Observation	Leading practice

▸ TDLWD requires LWDBs to establish and execute tools and guides to outline how monitoring activities will be conducted. Through interviews and inspection of documentation, we noted the following:
  ▸ The Executive Director to the ETLDB has developed a localized monitoring guide to evaluate OSO and CSP performance. The guide was developed based on the checklist used by PAR during their audits. However, when discussing the guide with the Executive Director, it did not appear that the guide was actually being used.
  ▸ Although there are monitoring activities being performed, the ETLWDB does not have a formally documented monitoring policy in place. We noted there is uncertainty from the Executive Director on how to effectively monitor LWDB performance. Per interviews with the Executive Director, there appears to be a degree of dependency on the State to dictate how to perform monitoring at the LWDB level.
	▸ Monitoring policies are updated and customized to reflect the specific needs of the area. Policies include detail over specific monitoring activities (who is being monitored), monitoring criteria (what is being monitored), and the monitoring schedule (when does monitoring occur). Monitoring is performed in line with documented policy.
	
	▸ Documented escalation and resolution policies and procedures exist when service providers do not meet defined KPIs. Escalation protocols vary based on the risk of the performance indicator that is not being met.

Recommendations

▸ We recommend that the ETLWDB document a local monitoring policy to include specifics around monitoring performed by the area. Included in this policy should be escalation procedures detailing protocol for noncompliance with performance metrics.

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Contract management

There are gaps in the ETLWDB's overall approach to service provider contract management and monitoring.

Observation	Leading practice
▸ The contract for OSO and CSP services between MCHRA (the contracted CSP for the ETLWDA) and ETLWDB states that "rigorous quality assurance mechanisms will be developed by the ETLWDB to confirm attainment of performance measures." However, the contracts do not include clearly defined service expectations (set by LWDB) in measurable terms and obligations for when expectations are not met, which may limit the ability of the LWDB to monitor performance. ▸ During our review, we noted that there is a team within the ETLWDB staff (ETHRA) dedicated specifically to OSO and CSP monitoring. This team performs continuous monitoring of the OSO and CSP's quality by reviewing a sample of case notes in VOS. The monitoring findings are shared with the workforce servicers director at MCHRA who is then required to provide a corrective action plan. During interviews and through review of the monitoring findings, the Executive Director noted that he was not satisfied with the current quality of case notes. ▸ Some interviewees indicated that the OSO may not have been properly onboarded.	▸ SLAs (Service Level Agreements) are in place for all outsourcing contracts. SLAs include specific, measurable key performance indicators that can be clearly monitored and reported against. The SLA should describe the mechanism for escalating and resolving issues related to the delivery of services. The contract owner should be the main author of the SLA as they set the expectations for service delivery and quality that they require. ▸ There is a formal process in place to monitor contract performance and compliance to drive quality delivery and identify areas where the providers are not performing to expectations. Service provider performance is reported and reviewed collaboratively with the service provider. ▸ Contract obligations and compliance are clearly visible through a dashboard. ▸ Customer satisfaction surveys are integrated (where appropriate) into the contract performance metrics.

Recommendations

▸ We recommend that service provider contracts include a balanced scorecard and contract management plan with a defined set of metrics for determining vendor performance. This should be unique form the negotiated performance metrics, which are owned at the state level.
▸ During the contracting process, we recommend that the ETLWDB define how the service provider performance will evaluated. This should include the metrics and evaluation criteria used to create a scorecard.
▸ We recommend that the ETLWDB define and document a process to onboard service providers. We recommend including a checklist of items (SLAs, questions, etc.) that should be considered throughout the onboarding process.

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Enablement

Technology

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Technology

The ETLWDA faces technology limitations that lead to process inefficiencies.

Focus area	Key observation
Centralized data entry into VOS	MCHRA (the contracted CSP for the ETLWDA) uses a centralized process for uploading and reviewing documentation in VOS. Case managers and career service specialists send documentation to the MCHRA central office, where there is a team dedicated and trained to enter participant data and upload documentation in a complete and consistent manner. Interviewees expressed their confidence in this process to reduce the risk of incomplete or inaccurate data reported in VOS.
System integration	There is a lack integration between IT systems (Grants4TN, Jobs4TN and the accounting system utilized by the Fiscal Agent) causing a large degree of manual reconciliation and increasing the risk of inaccurate reporting (see Appendix C for technology landscape observations). For example, participant payments must be appropriately allocated to the correct program funding stream in VOS. This data must then be accurately recorded in Grants4TN by the Fiscal Agent when requesting funds from the State. The fiscal agent performs manual reconciliations between systems to maintain data integrity, but noted during interviews that it is difficult to generate reports and export data from Grants4TN, which makes the reconciliation process more tedious.

Recommendations

▸ We recommend that the NETLWDA consider the feasibility of implementing integrations between systems to avoid duplicate data entry. This could be via system interfaces, data entry bots, optical character technology, matching technology or other means.

▸ We recommend implementing data validation checks within the VOS system functionality, specifically in areas where there are frequent errors.

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Enablement

Skills and communication

Skills and communication

There are opportunities to optimize communication channels with TDLWD and among ETLWDA stakeholders to increase collaboration and strengthen relationships.

Focus area	Key observation
Skills	Based on our interviews with the Fiscal Agent, OSO (One Stop Operator), CSP (Career Service Provider), CLEO and Executive Director, we determined these individuals have the appropriate level of competency to execute their role activities and responsibilities within the ETLWDA.
	There is an opportunity to further equip the LWDA Board with dedicated training focusing on improving their understanding of role strategic priorities. The following factors may be limiting the LWDB's ability to effectively carryout its mission and purpose:
	▸ Composition, diversity and size
	▸ Having too many board members may limit member engagement and involvement
	▸ Lack of awareness and understanding of general roles and responsibilities as board members
Communication	The Regional Director and Executive Director tend to work independently even when they are tasked with similar goals. There is opportunity to enhance their working relationship, collaboration and trust by increasing open two-way communication between these stakeholders.
	There is confusion over allowable and appropriate level of communication due to the firewall. This hinders communication as stakeholders are hesitant to further communicate to avoid trespassing the firewall.

Recommendations

▸ We recommend reexamining the responsibilities of the LWDB to determine the precise size and necessary skill sets and knowledge (e.g., financial expert, knowledge of policies and regulations).

▸ Consider implementing board orientation and continuous board education in addition to or as part of existing board meetings.

▸ Develop a communication that includes practical examples of the firewall including allowed and disallowed communication topics for NETLWDA to better understand the appearance of conflict of interest provision.

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Appendices

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Appendix A: RACI matrix

Activity	Sub-activity	TDLWD/ central office	Regional director	CLEO/LEOs	LWDB	Fiscal agent	Executive director/staff to the board	OSO	Career service provider	3rd Party Procurement Eligibility Service Provider	Readers
Vendor due diligence	Define procurement policies				R/A		R				
	Define procurement processes, tools and templates				R		R/A				
	Perform sourcing risk management			C	R		R/A			I	
	Action procurement policy noncompliance				R/A		R				
Vendor selection*	Prepare and conduct market assessment						R				
	Develop RFP to include KPIs and targets						R/A				C
	Review and approve RFP	C			R/A						
	Distribute RFP				R		R/A			C	
	Prepare and conduct sourcing and bid event	I			I		R/A			R/C	
	Conduct sourcing evaluations				I		A				R
	Select vendor	I			R/A						

*Refers to competitive RFP process

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Activity	Sub-activity	TDLWD/ central office	Regional director	CLEO/LEOs	LWDB	Fiscal agent	Executive director/staff to the board	OSO	Career service provider	Legal
Contract and grant management	Contract creation and authorization			A/C/I	C/I	C/I	R			R
	Contract execution	C/I			A	R	R	R	R	
	Contract monitoring		I		A/C/I		R	C	C	
	Contract compliance	C/I			A	R	R	C/R	C/R	
Operational compliance and monitoring	Determine operational key performance indicators (KPIs)	C	I	I	R/A	I	R	C/I	C/I	
	Monitor and track performance against operational KPIs			I	R/A	C	R/A	R/A	R/A	
	Execute performance reviews	I		I	A		R/A	C/I	C/I	
	Report scorecards/performance results	R/I	I	I	I	I	R/A	C	C	
Regulatory compliance and monitoring	Develop ETLWDA Strategic Plan	C		R	R/A		R/A			
	Communicate regulatory requirements and policy changes	R/A	C/I		I	I	R	C/I	C/I	
	Monitor and track performance against negotiated performance measures	R			A		R/A	R/A/C	R/A/C	
	Monitor and track performance against fiscal requirements	R/A			A		A	R	R	
	Execute performance reviews	R/A	C/I	C/I	C/I	I	R/A			
	Report scorecards and performance results	R/A	I	I	I	C	R/A	C/I	C/I	
	Identify and correct non-compliance	R	C/I	I	I	I	R**	R/C/I	R/C/I	

**For correcting non-compliance only

R − Responsible, A − Accountable, C − Consulted, I − Informed

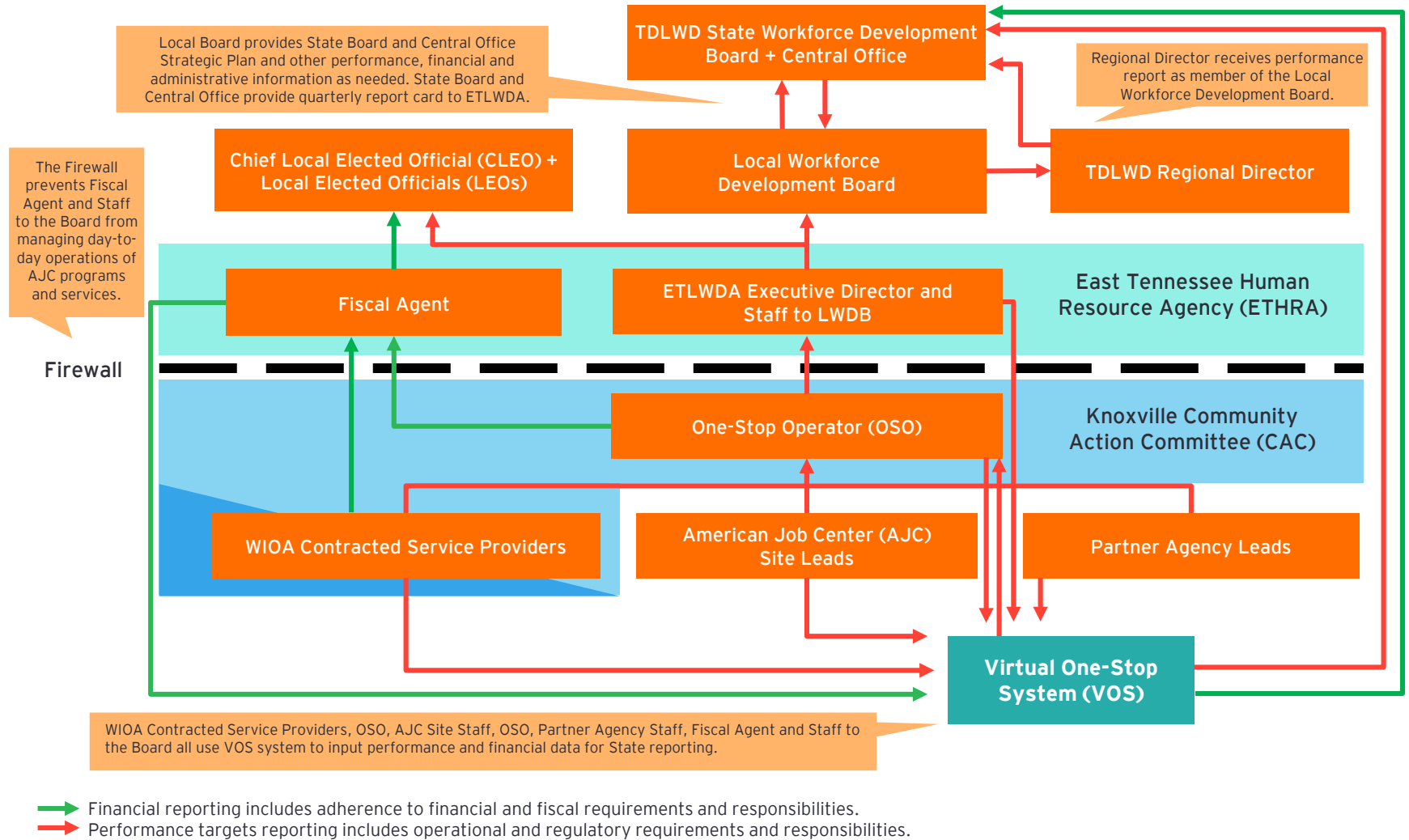State of Tennessee − LWDA Assessment

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Appendix A: RACI matrix

Activity	Sub-activity	TDLWD/ central office	Regional director	CLEO/LEOs	LWDB	Fiscal agent	Executive director/staff to the board	OSO	Career service provider	Partners
Financial management	Develop ETLWDA Budget	I	I	I	R/A	R	R			
	Approve ETLWDA Budget			R	R/A	C	CR			
	Develop IFA	C/I	I	I	R	R/A	R	C	C	C
	Approve IFA	R/A		R	I	R/A	C	C	C	R
	Prepare expenditure reports	I		I		R/A	I			
	Review and approve expenditure reports	R/A	I	R		R	R/A			
	Review OSO and CSP invoices			R/A		R/A	R	C	C	
	Pay OSO and CSP invoices and expenses	I			I	R/A	I	I	I	I
	Pay operating expenses	I			I	R/A	I			
	Submit reimbursement claims	I/C		I	I	R/A	I			
	Monitor expenditures	R/A		I A	I	R/A	R/I	C	C	C

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Appendix C: Technology Landscape

System	Purpose	Users	Key usage areas			Risks and observations
			Financial Management	Performance and Contract Management	One Stop Job Center Operations	
Jobs4TN/VOS	Collect and maintain customer data as a part of the referral process. Serves as a repository for referrals and other metrics that is used by the State to develop performance reports.	AJC Staff, TDLWD, OSO and participants		X	X	Data integrity issues due to lack of clear instructions regarding documents that must be uploaded and duplicate data entry. The OSO Manager makes referrals in system when these are not done immediately by AJC staff.
Grants4TN	Used to maintain records of financial transactions and to request funds from the State. Also used to evaluate performance regarding financial requirements.	Fiscal Agent, TDLWD	X	X		Data is manually entered into the accounting system then again in Grants4TN – no communication between the two. This is a very timely process and also poses the risk of data integrity.
Financial Edge-Blackbaud	ETHRA's system used to keep accounting records and produce checks and reports, and conduct evaluations.	Fiscal Agent	X	X		
EMSI (Economic Modeling Systems International)	Internal report generating tool used for labor market analysis. It used to identify skills gaps and in-demand industries, in an effort to meet the LWDA's specific needs.	Staff to the Board, Fiscal Agent		X	X	Limited risks, as it is only used to generate reports. But there is concern that funding for this system will not be approved in the near future.
Excel	Workbooks used to calculate expense allocations based on methods and formulas based on IFA and federal and state requirements. Also used for creating expense reports.	Fiscal Agent		X	X	Risk associated with this specific use of Excel is the knowledge required to use the worksheets correctly, which could potentially result in inaccurate reports to the state. Having expense allocations embedded within accounting system decreases data entry and duplication.

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